

# Neo-liberalism, crisis and the contradictions of depoliticisation

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## RESEARCH ARTICLE

# NEO-LIBERALISM, CRISIS AND THE CONTRADICTIONS OF DEPOLITICISATION

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**ABSTRACT:** This paper develops a political economy analysis of depoliticisation in the context of the crisis of neo-liberalism in Western Europe. Following a discussion of the theoretical foundations of the concept, it emphasises that whilst depoliticisation strategies are often associated with neo-liberalism, such strategies have a longer trajectory existing even within Keynesian regimes. The paper then details the many forms taken by depoliticisation within neo-liberal governing regimes focusing on the reorganisation of civil society and the state from the late 1970s to the present primarily with examples from the UK. It suggests, contrary to much popular discussion, that there is a significant degree of continuity in the form of economic management followed before, during and after the recent financial crisis of 2008/09. Both in terms of ideology and practice, many governments have maintained and even deepened their commitment to depoliticised governing principles. However it seems clear that attempts to depoliticise neo-liberal economic policy have not enabled state managers to avoid the emergence of crisis at the level of the state. Contrary to accounts which argue in simplistic fashion that 'economic' crisis produces 'political' crisis, this paper suggests that crisis is best understood as expressed simultaneously in both economic and political forms. Crisis at the level of the state precipitated in part by the entrenchment of depoliticised governing strategies is not simply the result of economic crisis but is an aspect of that crisis contributing to its depth and apparent insolubility. In this way the paper challenges some critiques of depoliticisation which have suggested (Hay 2014, 303) that the concept is in part both fatalistic and functionalist removing much of the political contingency of the moment of crisis itself.

**KEYWORDS:** Depoliticisation; Crisis; Neo-Liberalism; State; Economy

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## 1. Towards a political economy of depoliticisation

The concept of depoliticisation, as Wood and Flinders (2014, 152) point out, is found in a range of cross-disciplinary literature focusing attention on quite different, yet equally important, pressures operating in the wider 'public' and 'private' spheres of society. In terms of this broad view of depoliticisation attention has therefore focused on the role played by the media or special interest groups in shifting issues on or off the public agenda and on the 'speech acts' of individuals in arenas that make certain issues appear as 'normal' or 'natural', which Wood and Flinders (2014, 152) describe as 'discursive depoliticisation'. In respect of this broad interpretation, the concept has a long history within social science with clear affinities to Marx's critique of classical political economy and in particular his central critique of Smith and Ricardo's 'naturalisation' of historically specific social relations. More recent political economy readings of depoliticisation can be traced directly to the work of the Frankfurt critical theorists – specifically Jurgen Habermas, and critiques of this influential tradition emanating from theorists associated with the *Conference for Socialist Economists* across Europe in the 1970s.<sup>1</sup>

In the essay, *Technology and Science as 'Ideology'*, Habermas (1971, 101) suggested that since the late nineteenth century the state in advanced capitalist countries had adopted 'permanent regulation of the economic process' as a 'defense mechanism against the dysfunctional tendencies, which threaten the system, that capitalism generates when left to itself'. State intervention to 'secure the system's stability' destroyed in practice the 'root ideology of just exchange, which Marx unmasked in theory' (Habermas 1971, 100-101). In this sense economic policy, particularly following the international crisis of the 1920s, now 'stabilised the business cycle' and as a consequence the 'institutional framework of society was repoliticized' (Habermas 1971, 101). Politics, he argued, was no longer 'only a phenomenon of the superstructure' since 'the "base" has to be comprehended as in itself a function of governmental activity and political conflicts' (Habermas 1971, 101). Since, according to Habermas, the economy was now operating under political control, legitimation could no longer be derived from the 'unpolitical order' constituted by the relations of production. Hence the ideology of free exchange had been replaced by a substitute programme focused on expounding the benefits of government action designed to compensate for the dysfunctions of free exchange. In short, Habermas suggests that a type of Keynesian-Beveridge ideology con-

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<sup>1</sup> For further analysis of Marx and depoliticisation see Burnham 2014 on which the following section in large part draws.

stituted the new programme of legitimation structured around stabilising growth, maintaining employment, social security and the opportunity for upward mobility. This requires latitude for 'manipulation by state interventions that, at the cost of limiting the institutions of private law, secure the private form of capital utilization *and bind the masses' loyalty to this form*' (Habermas 1971, 102 - italics in the original). In a key passage, Habermas emphasises that in these conditions, politics takes on a peculiarly negative character - 'oriented toward the elimination of dysfunctions and the avoidance of risks ... not, in other words, toward the *realisation of practical goals* but toward the *solution of technical problems*' (Habermas 1970, 102-103 – italics in the original).

A similar conclusion had been reached by Offe a few years earlier who argued that politics had degenerated into actions that followed 'numerous and continually emerging "avoidance imperatives" restricted to administratively soluble technical problems' (quoted in Habermas 1971, 103). In short, 'old-style politics' defined in part by discussion of what constituted the 'good life' had now been replaced by a programme aimed exclusively at 'the functioning of a manipulated system' (Habermas 1971, 103). The solution of technical problems was not dependent on public discussion (in fact, was at odds with democratic decision-making processes) therefore the 'new politics of state interventionism, was accompanied by a 'depoliticisation of the mass of the population' (Habermas 1971, 104). The elimination of 'practical substance' from politics and the re-orientation of governing towards the solution of technical problems opened the door to the legitimation of power through the ideology of technology and science articulated as 'technocratic consciousness' (Habermas 1971, 104-105).

These powerful insights were presented within a framework that drew somewhat unconvincingly on systems theory and a rather unsophisticated view of Marx as a crude base/superstructure theorist. At the time, Habermas could see only one challenge to the stranglehold of technocratic consciousness – student protest. Embodying the spirit of 1968 he argued that student protest could permanently destroy this ideology and thus 'bring down the already fragile legitimating basis of advanced capitalism, which rest only on depoliticization' (Habermas 1971, 122). By the early 1970s his agency-centred hopes for social change were dashed but systems theory functionalism prevailed in Habermas's attempt to develop a typology of crisis-tendencies within advanced capitalism (Habermas 1976). In terms of the theory of depoliticisation, Habermas distinguishes between political crisis tendencies that can be sub-divided in terms of their form of appearance into *output* (sovereignly executed administrative decisions) and *input* (mass loyalty) crises (Habermas 1976, 46). An output crisis, Habermas (1976, 46) notes, takes the form of a *rationality crisis* when an administration fails to reconcile and fulfill the 'imperatives received from the economic system'. In this sense it is a 'displaced systemic crisis' which

takes the place of an economic crisis and therefore displaces the 'contradictory steering imperatives from market commerce into the administrative system' (Habermas 1976, 47). A rationality deficit in public administration would therefore occur when the state is unable to develop coherent policies to steer the economy. Rationality crises are expressed in part by the 'disorganization of the state apparatus' which may be converted into a generalized withdrawal of legitimation. An input crisis, by contrast, takes the form of a *legitimation crisis* when the state fails to secure a requisite level of mass loyalty while the 'steering imperatives taken over from the economic system are carried through' (Habermas 1976, 46). This would constitute directly an identity crisis and results from the 'fact that the fulfillment of government planning tasks places in question the structure of the depoliticized public realm' (Habermas 1976, 46). A legitimation deficit would exist when it was 'not possible by administrative means to maintain or establish effective normative structures to the extent required' (Habermas 1976, 47).

Habermas's overall conclusion is that advanced-capitalist societies are susceptible to economic, administrative, legitimation and socio-cultural system (action-motivating) crises. It may be objected that despite the value of the questions raised, the lack of clarity in determining the relationship between the different forms of crisis and the rather idiosyncratic concentration on actor motivation ultimately limits the contribution Habermas makes to unpacking the idea of depoliticisation. In addition his unremitting commitment to a form of systems theory functionalism limits his appeal to a modern audience. However Habermas makes an important contribution in two key areas. First, he suggests that economic crises are shifted into the political system through the 'reactive-avoidance activity of the government in such a way that supplies of legitimation can compensate for deficits in rationality and extensions of organizational rationality can compensate for those legitimation deficits that do appear' (Habermas 1976, 93). This notion of the displacement of crisis from the economic to the political (from the market to the administrative system) and the implications it has for the perceived competence of the administration is crucial for the theory of depoliticisation as a governing strategy. Past crisis tendencies may have already been processed administratively others may appear 'as a movement not yet adequately controlled administratively' (Habermas 1976, 93). Second, despite the somewhat dubious framework indicating a simple shift from *laissez-faire* to state intervention (and its associated implications for legitimation programmes), Habermas's early thoughts on the elimination of practical substance from politics and the turn towards the solution of technical problems also resonate in later approaches to depoliticisation as crisis management.

The debates on the state conducted by members of the *Conference of Socialist Economists* (CSE) in the 1970s provide a direct link between some of the more abstract notions discussed above and depoliticisation as applied to governing and crisis. In brief, the pivotal essay by Holloway and Picciotto (1977) emphasized that the state was to be understood as an 'aspect of the social relations of production', a fetishised form of capital, involved in and itself subject to, a constant process of restructuring and reorganization to enhance the accumulation of capital in conditions of crisis (see also Clarke 1991). The state, as a differentiated form of the social relations of production, derives its 'power' from its ability to reorganise labour-capital relations within (and often beyond) its boundaries to enhance the accumulation of capital both domestically and globally. The concept of 'restructuring' includes the idea of political and ideological restructuring alongside the broader reorganization of capitalist social relations (Clarke 1983). In this sense attention was drawn to the various ways in which 'the objectives, criteria and rules of operation' of state agencies shift as part of this wider restructuring of the social relations of exploitation (CSE State Apparatus and Expenditure Group 1979). Contrary to Habermas, crisis, in this framework, is neither an economic nor a political crisis but a crisis of 'the capital relation' – made inevitable by the contradictions of that relation expressed in economic and political forms. Crisis therefore is not simply economic and its outcome cannot be read off from the supposed 'requirements of capital' since what's involved is a process of struggle between labour and capital, between different groups in society, between different capitals and other elements of the capitalist class and of course between elements that constitute the state. This argument was developed further by Simon Clarke (1983, 132; see also Clarke 1988) who emphasized restructuring as a key component of crisis management. O'Connor and others drawing on Habermas, had indicated that an economic crisis could become a political crisis of the state itself if fiscal, monetary and financial pressure began to undermine the legitimacy of the existing form of the state. The response to this crisis situation, argued Clarke (1990), was usually not the seizure of state power by one class or another but rather the restructuring of the state and of wider class relations. The driving force behind this restructuring, Clarke (1990, 27) emphasized in a key passage, 'is not so much the attempt to provide a resolution of the economic crisis, as the attempt to resolve the political crisis of the state by trying to disengage the state politically from the economy so as to de-politicise economic policy formation'. In Clarke's view this was achieved in the West through the adoption of monetarism but the detailed mechanisms by which the state could disengage itself from economic crisis were left largely unexplored. Nevertheless the CSE contribution to understanding the state provided the basis on which a more detailed political economy theory of depoliticisation as governing could be constructed in particular by investigating

how the state could disengage from the economy so as to depoliticize policy formation - by what mechanisms could this be achieved and what more could be said about the rather nebulous notion of the 'political crisis of the state'?

## **2. Theories and forms of depoliticisation**

From the foregoing CSE analysis it is clear that the separation of the political and the economic in capitalism is best theorised as an 'apparent' separation which cannot be taken at face value. It would therefore be rather naïve to suggest a definition of depoliticisation as the removal/evacuation of the political. To capture the inherent (and enduring) political nature of depoliticisation it has been suggested that the concept is usefully defined as 'the process of placing at one remove the political character of decision-making' (Burnham 2001, 128). This formulation emphasises three important points: firstly, the political character of decision-making has been placed at one remove but it is not absent – it is not being suggested for example that the management of the economy could in any sense (other than discursively) be non-political; secondly, understood as a governing strategy it is implicit in the analysis that depoliticisation could enhance political control – control exercised by state managers – whilst giving the appearance of having transferred elements of that control; and thirdly, that the most beneficial consequence of the process for state managers in terms of realising policy objectives is achieved by the appearance of having transferred responsibility for policy. In terms of this last point it is suggested that depoliticisation as a process could benefit politicians in office by creating distance between them and difficult supporters (whether from the ranks of labour or capital) through arms-length management or invoking the language of external constraints. The problem of 'untrustworthy governments', not 'fit to govern', can also be addressed by enhancing the credibility of policy and the competence of management through the adoption of rules-based strategies and the re-assignment of tasks. This strategy could also enable governments to play the 'politics of blame attribution' – shifting responsibility for the management of difficult issues, for example, the delivery of public services (see Sullivan and Skelcher 2002). In a broader sense, depoliticising strategies also potentially shield governments from the consequences of adopting an anti-inflationary policy stance or imposing austerity measures inasmuch as international regimes could be invoked (the Gold Standard, or the European Exchange Rate Mechanism) which helped draw attention away from the choices made by government ministers. Finally it is recognised that by re-assigning key areas of policy to quasi-state agencies (for example, monetary policy to Independent Central Banks or more recently in the

case of the UK, financial policy and crisis management to the Financial Policy Committee of the Bank of England) depoliticisation from the point of view of state managers also involves a potential politicisation process on the part of the receiving institution/organisation. This could have the potential for undermining the core executive's control of policy and also create unintended, and unwanted, consequences (such as in the economic sphere enhancing the credibility of the Bank to the extent that it becomes a vocal and respected critic of government policy – see Burnham 2017).

From this basic set of ideas the notion of depoliticisation as a governing strategy has been used in a number of ways.<sup>2</sup> Firstly, at the crudest end of the spectrum it has been detached from its social theory origins and used to identify, and often justify, any form of responsibility shifting. Drawing on examples particularly from New Public Management this approach sees depoliticisation as offering a guide in 'how to manage' (whether in universities, the health service, transport, even in the private sector). The emphasis is on shifting blame and creating obfuscatory bureaucratic practices to enhance managerial control. This may correspond to a populist usage of depoliticisation but should not be confused with the academic use of the term which as Flinders (2008, 239) correctly notes emphasises the notion of an 'indirect governing relationship'. In short, depoliticisation is not any form of 'arena shifting' or responsibility evasion but refers more precisely to processes which place at one remove the political character of governing and which may result in state officials no longer being held directly responsible for 'a certain issue, policy field or specific decision' (Flinders 2008, 238). Flinders (2008, 238) therefore correctly asserts that as a concept depoliticisation refers to a very specific interpretation of 'the political'. This, I would argue, gives the concept greater clarity, meaning and precision than more expansive definitions that tend to reduce depoliticisation to the practice of 'dupes and tricks' in any social setting. It is however important to be aware that 'the political' is not necessarily to be equated simply with the institutions of 'representative democracy' but rather with *the state* understood as 'politically organised subjection' (Abrams 1988, 63; see also Corrigan and Sayer 1985, 7-9). The apparent solidity of the state and its historically specific character masks its existence as a contradictory form of social relationship. As Abrams (1988, 76) suggests in abstract terms the state is a 'message of domination' – an artefact 'attributing unity, structure and independence to the disunited, structureless and dependent workings of the practice of government'. The cardinal activity of the state – to present class rule as disinterested, legitimate domination – is therefore conducted not only through its historically specific institutions, ideologies and activities of channelling social relations into non-class forms (citizens rights,

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<sup>2</sup> For a fuller account of this analysis see Burnham 2014.



consumer rights etc) but extends to how the 'claim to legitimacy' encompasses a range of state practices (including the idea of representative democracy).

Secondly, and with a greater degree of sophistication, the concept of depoliticisation has been applied to analyse the methods chosen by state managers to externalise the imposition of discipline/austerity on social relations. This framework has been developed explicitly by Marxist and other writers interested in crisis theory and political responses to the current financial meltdown (see Holloway 2010; Krippner 2011). Far from crisis being seen as a 'malfunction' of the market leading to a 'systemic breakdown', this approach in general emphasizes a *political reading of crisis* stressing for example the 'capitalist use of crisis' as a means for the 'violent and decisive reassertion of the fundamental class relation' (Negri 1988, 68). The tightrope state managers have to walk in this situation is how to intervene in crucial areas to restore profitable accumulation (recapitalization, nationalization, quantitative easing) whilst simultaneously withstanding demands to intervene in other areas to the advantage of particular groups (manufacturing industry, low paid workers, the unemployed). In the emergency stage of the current crisis for example, this potential was seen in debates, particularly in the UK, about the morality of the banking system, the role of money and the willingness of the state to recapitalize banks whilst seemingly allowing manufacturing industry to fail. In these circumstances one of the central issues for state managers is how to re-establish conditions for economic restructuring whilst placing other key areas of policy beyond direct political contestation. Attempts by state managers to off-load responsibility for the imposition of recession and foreclose debate on the nature of the political economy of capitalism have tended to take one of two forms in the last century. Firstly, efforts have been made to find an anchor (and justification) for policy by linking deflation strategies to an international regime – usually an international monetary regime. Secondly, there is the strategy of attempting a domestic reorganization of the administrative system of governing tying policy to statute or clearly identifiable (and therefore constraining) targets (Burnham 2001, 2011a; Buller and Flinders 2005; Flinders 2008).

In terms of the current crisis, which is discussed in more detail below, state managers around the world have struggled to find a credible depoliticisation strategy beyond articulating the need for a new 'cuts-machine' justified by the discourse of the sovereign debt crisis (Hay 1999). Although the IMF (2011) clearly sanctioned the discourse of cuts, there appears to be no credible global monetary regime which could serve as an anchor and justification for recessionary policies. Moreover, the uneven international impact of the financial crisis reinforces the view that currently depoliticisation is most viable through a second-best form of domestic legitimation. Nevertheless within the European

Union, the ordoliberal character of the regime restrains conventional forms of parliamentary democracy in the member states and provides a powerful context for region-wide depoliticisation strategies justified in terms of stabilising European law, money and the market (see Bonefeld, 2017). The weakness of this strategy however is shown by the organised resistance that has arisen in response to the imposition of recession. In this respect, as Krippner (2011, 147) notes, depoliticisation strategies may offer an answer to policymakers facing contradictory imperatives in terms of regulating the economy whilst deflecting attention away from their active role in guiding economic outcomes but the unintended consequence of increased politicization is ever present.

The final way in which the notion of depoliticisation as a governing strategy has been used is to characterize entire regimes of economic and political management.<sup>3</sup> As noted above, if the politicisation/depoliticisation framework is used to analyse for example policy in Britain from 1900 onwards it becomes clear that at certain moments depoliticisation strategies have formed the lynchpin of economic policy (the return to the Gold Standard in 1925, the Heath government's introduction of the Industrial Relations Act 1971, the introduction of the Minimum Lending Rate in 1972; the Medium Term Financial Strategy in the early 1980s; the ERM in the early 1990s; the politics of New Labour; the politics of austerity since 2008; and the invocation of the Brexit mantra to justify new rounds of public expenditure cuts). At other times a more interventionist politicised approach has tended to dominate the policy-making agenda (most obviously 1945-70). If however a depoliticised strategy confers certain benefits on state managers, under what circumstances would a politicised approach be adopted? Early attempts to refine the framework suggested that the oscillation between politicised and depoliticised strategies was best explained in terms of the internal dynamics of working class organisation, the character of capital operating within a national territory and the form of the integration of the state into the world economy (see Buller and Flinders 2005; Burnham 2006). For example the British state in 1945 opted for a high level of direct control over the economy as a response not only to seemingly intractable balance of payments problems but also to the problem of rising wages and the threat of rampant inflation. Throughout the postwar period institutionalised processes of bargaining and consultation, indicative planning and formal and informal incomes policies were all employed as a means whereby 'the national interest' could be brought to bear on wage negotiations. The adoption of these politicised solutions, however untenable in the long-term, reflected state managers' perceptions of the balance of class forces as expressed in the (dis)organisation of capital and the actions of union leaders and from the 1960s onwards the

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<sup>3</sup> For more detail see Burnham 2006 and 2014.

shop stewards movement. By the mid-1970s the UK Treasury had acknowledged the failure of politicised approaches but was seemingly powerless to develop alternative dominant strategies until a number of disparate trends (mass unemployment in traditional sectors, increased work in non-unionised sectors, promotion of new forms of unionism) provided a context for the emergence of a reorientation that could capitalise on the changes in the international political economy associated with the deregulation of finance.

This framework however does not endorse analysis based on a simple transition from politicised to depoliticised forms of management. Rather it is suggested that it is more productive to analyse statecraft regimes in terms of the co-existence of forms with the likely dominance of one form over the other. This approach has potentially deepened historical understanding of specific aspects of government policy and helped resist the teleological tendency to see all policy resulting inexorably in depoliticisation. For example, in respect of monetary policy in Britain it seems that despite the well publicised 'Nationalisation' Act of 1946, interest rate policy continued to be determined by the Bank of England at least until the early 1960s (see Burnham 2007). Similarly, the introduction of the Minimum Lending Rate in October 1972 as a depoliticisation strategy to marketise Bank Rate – which lasted until 1978, sits uneasily with a view of Heath and Wilson/Callahan governments operating with undiluted forms of politicised management (Burnham 2011b). In this respect an analysis of the relationship between politicised and depoliticised strategies within a governing regime necessarily focuses attention on the contradictions and tensions inherent within each form. To varying degrees there will always be a tension between active direct state intervention and arm's length strategies of governing. Although a central aim of depoliticisation strategies is to convince key actors that state managers are, to an extent, disengaged from policymaking and delivery, the reorganisation of class relations periodically calls for the substantive and public intervention of the state. The current crisis of neo-liberalism provides a good illustration of the co-existence of politicised and depoliticised strategies and of the tensions implicit in maintaining depoliticisation as the lynchpin whilst seeking to rescue and reconstruct economic sectors in particular in the area of banking and finance.

### **3. The crisis of neo-liberalism and the entrenchment of depoliticisation**

Many accounts of the current crisis of neo-liberalism highlight the problems posed by the liberalisation of finance, the "de-mutualisation" of financial institutions and the explosion of credit worldwide in the run-up to the summer of 2007 when the crisis began

to surface in the US housing loans market (Gamble 2014). In September 2008, following the default by Lehman Brothers and the rescue of the US insurance giant AIG, there developed what the IMF (2009, 2) termed a 'huge increase in perceived counterparty risk' as banks faced large write-downs, the demand for liquidity jumped to new heights and questions were raised about the solvency and funding of core financial institutions. Despite unprecedented government bail-outs and action on both monetary and fiscal policy around the world the credit crunch quickly affected global economic activity. Overall, global GDP is reported to have contracted by 6.25 percent in the fourth quarter of 2008 and to have continued to fall in the first quarter of 2009. Beyond the immediate years of the financial crisis, growth rates remain sluggish with IMF (2016) estimates for Advanced Economies growth in 2015 at 1.9% (1.5% for the Euro Zone). Write-downs on US based assets suffered by all financial institutions over 2007-2010 were estimated to amount to over \$2.7 trillion with banks requiring additional capital in the order of \$275-500 billion in the US, \$475-950 billion in Europe (excluding the UK) and \$125-250 billion in the UK (IMF 2009, 8). In an analysis of the key indicators of global activity (real GDP per capita, industrial production, trade, capital flows, oil consumption and unemployment) IMF (2009, 9) economists concluded that 'by any measure this downturn represents by far the deepest global recession since the Great Depression'. Moreover the recession is not only the deepest of the postwar period it is also the most 'synchronized' in its effect on virtually all the advanced economies and many of those classified as emerging or developing.

The response of state managers around the globe was swift but the depth of the destruction of fictitious capital was such that the global economy has been slow to recover. In terms of monetary policy, central banks in many countries have reduced interest rates to historically low levels and extended the strategy of 'quantitative easing' used by the Bank of Japan in 2001-2006 to boost commercial bank reserves through government bond purchases (IMF 2009, 41). Diverse, extensive and well publicised fiscal stimulus packages were also introduced in most countries including Germany, Japan, Korea, the UK and, of course, the US. In addition the IMF (2010) introduced more flexible credit instruments tripling its lending resources to \$750 billion. In short, as in the 1980s but now on a much larger scale, a form of emergency Keynesianism was resurrected through an explosion of government debt around the world. By the summer of 2010 however it was becoming clear that this emergency phase – 'helicopters dropping currency notes from the sky'<sup>4</sup> – was soon to be replaced by the discourse of sovereign debt and its corollary, the politics of austerity and cuts.

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<sup>4</sup>Samuel Brittan's advice to governments during the crash of 1987, quoted in Bonefeld 1995, 56.

The working out of this three-stage movement from a *discourse of financial crisis* to one of a *crisis of sovereign debt* to the phase of the *politics of austerity and cuts* has of course varied in terms of detail across the world. Nevertheless the unifying factor in the responses of policy makers around the globe to the crisis of neo-liberalism has been the attempt to recompose class relations and tighten market-based constraints over labour power and money. In this way, proponents of austerity hope that the relationship between financial and productive accumulation will be positively realigned. This recomposition is both ideological and material involving a restructuring of the class character of the social structure through reductions in public services, lower wages, repossession, unemployment and reduced access to credit. Furthermore, it has been pursued in a context still characterised by a commitment to depoliticisation as a core principle of economic and social policy as indicated briefly with examples from the British case.

In the UK, accounts of depoliticisation as a governing regime under Tony Blair (Burnham 2001) emphasised three principal strategies: reassignment of tasks to quasi-state bodies; preference for rules rather than discretion in economic and social policy; and an increase in the accountability, transparency and external validation of policy. The intensification of the financial crisis since autumn 2008 has been accompanied not by the British state's abandonment of these strategies but by a concerted attempt to consolidate all three of the elements developed under New Labour particularly in the area of banking and finance.<sup>5</sup>

In many respects the focal point of the reassignment of tasks under Blair was the granting of operational independence to the Bank of England. The Bank of England Act 1998 was widely seen as a 'new departure in economic policymaking' (HM Treasury 2002, 85), and was justified principally on three grounds: firstly, that independent central banks deliver low inflation; secondly, that the move would improve transparency and enhance the credibility of policy making; and finally, that independence would end political interference in monetary policy-making (Treasury and Civil Service Committee 1993; HM Treasury 2002, chapters 1, 3 and 6). In contrast to the period following the Secondary Banking Crisis of 1973/74 – when the Treasury took back control of interest rates from the Bank – operational independence has of course been maintained (see Reid 1982; Moran 1984; Burnham 2017). The New Monetary Policy Framework introduced in the Bank of England Act 1998 remains in force with the Monetary Policy Committee (MPC) committed to achieving the government's inflation target of 2 per cent. Since March 2009 interest rates have been held at 0.5 per cent and the attention of the MPC has focused on the policy of asset purchases financed by central bank money – so-

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<sup>5</sup> This section draws on Burnham 2014 and 2017.

called quantitative easing (for an overview see Joyce *et al* 2011). The Asset Purchase Facility, set up in January 2009, essentially provides an additional tool for the conduct of monetary policy. Aimed at improving liquidity in credit markets through the purchase of assets financed by the issue of Treasury Bills – and later directly through central bank money – quantitative easing represents a shift in the instrument of monetary policy (towards the quantity of money provided rather than its price) but not in the underlying objective of policy. To date, some £375 billion of assets have been purchased in an effort to restore confidence and provide a monetary stimulus to the economy (Bank of England 2015). In short, since the financial crisis, the Bank has used the quantity of reserves (in addition to the rate earned on them at the Bank) directly as a tool of monetary policy (Bank of England 2010). The framework for the conduct of monetary policy has therefore survived the financial crisis. This element of continuity has been accompanied by a revolutionary expansion of Bank powers and responsibilities in the area of financial stability.

In October 1997 the government established a tripartite framework (involving the Bank, the Treasury and the Financial Services Authority) for regulation and financial stability in the UK. The Bank was initially responsible for the stability of the system whilst the FSA had responsibility for the supervision of individual banks and other financial organisations. In 2006 a Memorandum of Understanding further clarified this emerging relationship indicating that the role of the Bank was to ‘maintain a broad overview of the system as a whole’ and limit the risk of problems in particular institutions spreading to other parts of the financial system (Bank of England 2006). However as the financial crisis showed, responsibility without power in the financial field left the Bank unable to act in accordance with the 1997 and 2006 agreements – hence the creation of a new regime in the 2009 Banking Act which extended the role of the Bank placing its financial stability responsibility in statute. In July 2010 the Cameron government deepened the Bank’s responsibilities in the financial field finally unveiling a new framework for financial regulation in 2012 (HM Treasury 2012). The plan recognised the ‘failings’ of the tripartite system in respect of protecting financial stability and responded by placing the Bank ‘firmly in charge not only of preserving financial stability, but also leading the response when a crisis threatens stability’ (HM Treasury 2012, 7). In essence the Cameron government’s response rested on two pillars: firstly, ‘returning responsibility to the Bank of England for regulating the stability of the financial system’, and secondly, setting up three new bodies, ‘each with clarity of responsibility, a focused remit, appropriate tools and the flexibility to use them as they see fit’ (HM Treasury 2012, 6-7).

FSA responsibilities for banking supervision were moved to a new regulator, the Prudential Regulation Authority (PRA), established as a wholly-owned subsidiary of the Bank. Set up on a similar basis to the MPC it is chaired by the Governor with five internal

members and six external members with twice monthly formal meetings (Fisher, 2014, 3). In practice, the PRA is responsible for the regulation and supervision of around 1700 banks, building societies, credit unions, insurers and major investment firms (Fisher, 2014, 3). In 2014 it gained a new secondary objective, to promote effective competition in markets. Although prudential supervision may not attract as much interest as monetary policy, the legal powers of the PRA are extensive and include those relating to authorisation of firms and supervision and enforcement powers (institute criminal proceedings, impose financial penalties and publish public censures) (Bank of England: PRA, 2014). Remaining FSA responsibilities for consumer protection and conduct of business now fell under the remit of the new Financial Conduct Authority (FCA) which although established outside the Bank works alongside the PRA. Most significantly however, a new Financial Policy Committee (FPC) was established within the Bank to set 'macro-prudential policy' with powerful macro-prudential tools at its disposal approved by Parliament. Whilst the creation of the PRA is important indicator of government confidence in the Bank, it is the FPC that, in the words of Paul Fisher (Executive Director of the Bank) is 'truly ground-breaking' (Fisher, 2012). Created again on an organisational basis similar to the MPC with eleven voting members (five from the Bank and chaired by the Governor) it has a stated intention to reach consensus on decision making, publish minutes and record dissent (Fisher, 2012, 4).

The objective of maintaining financial stability is considerably wider than the MPC's commitment to meeting inflation targets and for that reason the government is clear that the decisions of the FPC must be 'taken independently of undue political influence; indeed, this is why the FPC has been given responsibility for macro-prudential supervision of financial services sector as an expert body in the Bank, independent of the Treasury' (HM Treasury, 2012, 14). In this respect, as Stanley Fischer (2015) emphasises, the structure of the FPC ensures that the Bank is nearly fully independent with regard to financial stability (unlike the Federal Reserve which currently has simply been assigned responsibility of helping to ensure financial stability). As with the MPC, issues of accountability and transparency are high on the agenda of the FPC and place the committee at one remove from the Chancellor and the Treasury whose roles respectively, are to decide on the use of public funds and keep the public informed (HM Treasury, 2012, 110).

The continuation of UK Financial Investments Ltd (UKFI) – set up by the Brown government in November 2008 - is yet further evidence of the commitment to extending the strategy of depoliticisation in the midst of financial crisis. Although the 'nationalisation' of the Royal Bank of Scotland, Lloyds, Northern Rock, and Bradford and Bingley would appear at first glance to contradict the tenets of depoliticisation, the manner of

the acquisition and the subsequent organization and management of the shares concerned is perfectly consistent with the theme of the reassignment of tasks. Rather than centralize control in the hands of the Treasury, Alistair Darling established UKFI as an independent company to 'manage government investments in financial institutions at arm's-length and on a commercial basis' (UKFI 2009, 9). The principal objective of the company is to 'develop and execute an investment strategy for disposing of the investments in an orderly and active way through sale, redemption, buy-back or other means within the context of an overarching objective of protecting and creating value for the taxpayer as shareholder, paying due regard to the maintenance of financial stability and to acting in a way that promotes competition' (UKFI 2009, 9). The government has no intention of being a permanent investor in UK financial institutions and on completion of activities UKFI will be wound up (UKFI 2010, 14). In terms of operation, UKFI is prohibited from intervening in the day to day affairs of the investee companies and the Framework Documents emphasize that the Treasury will not interfere in the operational and commercial matters of UKFI. The role of the Treasury therefore is largely limited to monitoring UKFI's performance against the objectives it has been set and reporting performance to the Chancellor and Parliament. Consistent with its principal strategy to dispose of investments as soon as conditions allow, UKFI announced on 23 July 2012 that it had received £820 million from the sale of Northern Rock plc to Virgin Money with a further £465 million expected from the sale of Northern Rock (Asset Management) to the same company (UKFI 2012).

Finally, in terms of continuing a preference for rules-based strategies and deepening a commitment to external validation, various steps have been taken in the field of fiscal policy that build on the Fiscal Responsibility Measures outlined by Darling in November 2009. Recognising that Blair's 'fiscal rules' lacked robustness (given the suspension of those rules in November 2008 and the introduction of a 'temporary operating rule' allowing greater flexibility) Darling pushed through the Fiscal Responsibility Act in February 2010 which placed upon the Treasury a statutory duty to meet targets for the reduction of government borrowing and debt (Fiscal Responsibility Act 2010). Complementing the Fiscal Responsibility Act, the Coalition government set up an official independent fiscal watchdog in form of the Office for Budget Responsibility (OBR) in May 2010. The OBR is not operational independence applied to fiscal policy. It is however key to enhancing the fiscal credibility of the government with the roles and responsibilities of the OBR exceeding those laid down by the IMF (and those of many other independent fiscal institutions in for example the United States, Japan or Canada) (HM Treasury 2010a). In essence the OBR provides 'forecast and commentary' with a commitment to demonstrate 'transparency, objectivity and impartiality' in its assessment of public finances and



the economy (HM Treasury 2010b). In setting up the OBR, Osborne clarified its three principal functions: to boost credibility and confidence in the UK's fiscal framework; to 'tie the Chancellor's hands' and take away the temptation to 'fiddle the figures'; and to be at the cutting edge of international best practice in terms of scrutiny, transparency and accountability. In an almost scripted characterisation of a depoliticisation strategy Osborne emphasised that in establishing the OBR he had 'created a rod for his back down the line ... that is whole the point' (HM Treasury 2010c).

In short, in the UK it is plausible to suggest that there is a significant degree of continuity in the form of economic management followed before, during and after the immediate financial crisis of 2008/09. Two significant developments have occurred since the onset of the latest crisis of neo-liberalism and both in principle represent a crisis for the continuation of depoliticisation strategies: firstly, the growth of resistance movements around the world seeking to place on the agenda debates about the nature of money, the character of state and in extremis, the morality of capitalist social relations, and secondly, a widespread realisation that the arms-length strategies pursued in earnest by a number of governments may have led to a paralysis of the administrative system and compounded the economic crisis itself.

#### **4. Conclusion – the limits and contradictions of depoliticisation strategies**

Resistance to the politics of austerity has encompassed a diverse range of action across Europe much of which has spilled over into an, admittedly incoherent, critique of depoliticisation. From peaceful demonstrations to sit-ins and violence against state and market institutions, protestors have employed traditional and innovative strategies to challenge the imposition of recession. The anti-cuts movement, as with the anti-globalisation movement and many transnational social movements, remains a diverse coalition, with a range of different purposes. Some members of the group favour nationalist solutions over internationalist (but anti-globalist); others argue for greater public ownership (whether temporary or permanent), strict financial regulation and a greater role for mutualism in the financial sector; whilst others see the crisis as justifying action to write off debt and hasten the abolition of capitalism or (in right wing guise) halt immigration, cut taxes and shrink the state. What tends to unite the factions, with the exception of most of those on the right wing, is a questioning and rejection of the 'elevation of profit over social need' (Gamble 2009, 160). This sentiment provides a focus for resistance as it becomes clear that the working class for many years to come will bear the

brunt of 'economic adjustment' whilst state managers remain wedded to what many perceive to be a failed neo-liberal experiment.

In the UK resistance to the 'cuts machine' has been built on a critique of the 'necessity' of cuts and an identification of the 'deficit problem' with the financial interventions associated with bank bailouts. Public sector net debt in 2010, excluding the financial interventions, was approximately fifty-eight percent of GDP - within the Maastricht Treaty's Excessive Deficit guideline of sixty percent (Office for National Statistics 2011). The figure of fifty-eight percent of GDP was not excessive when compared with Britain's post-war debt which topped 237% of GDP in 1946 and remained above sixty percent until 1970 (Chantrill 2011). Only with the financial interventions included did the debt figure rise to approximately 150% of GDP and this took no account of the newly acquired government assets (Royal Bank of Scotland, Northern Rock, Lloyds Banking Group) that would in time be sold off to recoup some of the initial outlay. The government's repeated claim that deep cuts were needed to correct the outgoing Labour government's profligacy and state-led growth strategy now looks increasingly thin with even Mervyn King, the then Governor of the Bank of England, admitting to sharing the public's disquiet over the policy of bailing out 'failing' banks: 'We allowed a [banking] system to build up which contained the seeds of its own destruction ... people have every right to be angry, because out of what seems to them a clear blue sky, the crisis comes, they find they do lose their jobs and there's the sharpest fall in world trade since the 1930s. But, surprise, surprise, the institutions bailed out were those at the heart of the crisis. Hedge funds were allowed to fail, 3,000 of them have gone, but banks weren't' (King in Moore 2011).

It is clear that much of the protest in the UK was influenced by the earlier actions of anti-cuts campaigners in France and Greece. In March 2009, over two million workers supported a general strike organized by the Confédération générale du travail (CGT) against President Sarkozy's handling of the economic crisis. Amid violence in most major French cities, directed predominantly against displays of ostentatious wealth, riot police sought to maintain order in over two hundred separate demonstrations (Allen 2009). This was followed in October 2010 by major stoppages and street demonstrations (including a weeklong blockade at France's twelve oil refineries and a three-week dock-worker strike in Marseille) over Sarkozy's privatization and austerity measures, which included plans to raise the minimum and full retirement ages to sixty-two and sixty-seven respectively, a move the government claimed was vital to stem a soaring pension deficit (Love 2010).

As a result of the October demonstrations around France, questions began to be asked in the UK about French style direct action. Prominent trade union and student

union leaders publically backed direct action strategies as a way of escaping the restrictions on industrial action imposed by employment laws passed under Thatcher and retained by New Labour (Shankleman 2010). In similar fashion, many UK protesters looked to the demonstrations in Greece as an example of civil disobedience in action – ‘the outward sign of moral conscience and of political fidelity to the principles of justice and democracy’ (Douzinas 2011). UK students in particular could see a direct parallel between the ‘democratic deficit’ in Greece warranting civil disobedience, and the catalogue of broken manifesto promises, tax avoidance strategies and corruption charges characterizing the British political system.

The escalation of conflict around Europe (with large-scale anti-austerity demonstrations in 2010 in over a dozen Europe countries including Spain, Portugal, Belgium and Ireland) has meant that state managers have found it increasingly difficult to treat the crisis of neo-liberalism as a technical problem rather than as a deep social crisis. Nevertheless depoliticisation strategies have not been abandoned. As Bonefeld (2017, 193-194) has argued, during the Eurozone crisis the solidarity shown by member states to prevent the collapse of monetary union was immense: ‘In the case of Greece, the commitment to Europe that was finally extracted under threat of expulsion in July 2015 put a whole political economy on the brink and led to the restructuring of its entire social contract’. Technocratic government was established in Italy (2011-2013) and formal governments of national unity in Spain and Portugal (2011-2014). In short, ‘the Euro crisis established the European Council comprising the Euro club as the political decision maker. It has overseen the strengthening of fiscal rules and hardening of the entire system of fiscal governance, which now requires the achievement of balanced budgets and includes the requirement that member states submit their budgets to European assessors before they are presented to the national parliaments’ (Bonefeld 2017, 193-194).

In the UK many of the direct action strategies have been incorporated into support for a revitalised ‘left-leaning’ wing of the Labour Party under Jeremy Corbyn. In principle many of the policies espoused by the Corbyn faction of the Party seek to challenge aspects of depoliticisation (taking back control of monetary policy, extending democracy to civil society groups and limited renationalisation of selected industries). However, defeat for Labour in the 2017 general election leaves in power, an admittedly unstable, Conservative government committed to further rounds of austerity now legitimised in terms of ‘requirements in the run-up to Brexit’. Whilst it would be easy to romanticise the scale and importance of resistance to austerity and depoliticisation strategies around Europe, a number of studies have begun to suggest that since 2008 more conventional forms of dissent have merged with a number of more radical prefigurative practices. As Bailey, Clua-Losadab, Huquec, Ribera-Almandoz and Rogers (2016, 1) summarise, ‘the

stagnation of neoliberal capitalism from 2008 onwards has witnessed the development of a new form of pragmatically prefigurative disruptive subjectivity, responsible for some of the more important and interesting political developments in contemporary advanced industrial democracies’.

Finally, in terms of the political contradictions of depoliticisation strategies it is worth re-iterating that the development of ‘arms-length’ strategies and the re-assignment of tasks away from the ‘core executive’ may pose serious problems for governments in terms of achieving certain objectives. This point was initially made in relation to the Blair government in the UK (Burnham, 2001, 145) noting that the establishment of regulatory agencies not only fragments governance but also, given the longer chain of command and the role of intermediaries, could allow for regulators to be ‘captured’ by the regulated. Policies based on ideas of ‘user involvement/participation/devolution’ could enable a redistribution of power unintended by state managers with potentially politicising results. Fifteen years on from this initial reflection, it is clear that this particular set of political contradictions has emerged as one of the most notable legacies of depoliticisation. In the UK the use of referenda to decide a range of constitutional issues (voting system, independence for Scotland and of course membership of the EU) has backfired as an attempt to dampen down support for these issues and has instead resulted in waves of politicisation across the political spectrum that state managers are seemingly unable to quell. The ability of the ‘core executive’ in the UK to achieve policy objectives has seemingly been weakened by the existence of almost 1000 ‘semi-autonomous public bodies’ employing over 700,000 staff and receiving in 2010 approximately £82 billion of government funding (www. parliament.uk 2010).

Not only has the ‘longer chain of command’ posed problems for government policy (most obviously seen in the activities of the UK Border Agency formed as an executive agency in 2008 and disbanded in 2013 following a Home Affairs Committee (2012) report listing a catalogue of incompetence) but the out-sourcing of tasks has left the government unable to meet key objectives such as preparing for Brexit where it is reported that in 2016 the Civil Service was at its smallest size since WW2 (Foster 2016), and would need to recruit ‘significant numbers’ of new staff to enable trade negotiations to begin (Farand 2017).

The crisis of neo-liberalism has not resulted in the wholesale abandonment of depoliticisation strategies around the world. However the crisis has highlighted the limits and contradictions of such strategies and in so doing has highlighted once again the intimate relationship between capital and the state. The issues raised in this paper emphasise that the relation between crisis and the state is not to be understood in terms of an external relation (‘economic’ crisis causing a ‘political’ crisis) but rather the development of the

state (and its policies) need to be understood in the context of the crisis of the capital relation itself of which the 'economic' and the 'political' are a part (Holloway and Picciotto 1977). This framework rejects the simplistic assumption that economic crises will necessarily be resolved at the political level and therefore is not subject to Colin Hay's (2014, 303) view that depoliticisation can easily slip into fatalism and functionalism. Hay (2014, 303-304) argues that it is all too easy for theorists of depoliticisation to remove 'political contingency' by suggesting that 'crises are, and can only be, resolved in one way – through the forcible re-imposition of the law of value' and that depoliticisation is 'simply an efficient institutional mechanism for dealing with the political side-effects of such a necessity'. Hay's comments are a useful reminder of the limits of an overly deterministic reading of depoliticisation. However the conceptualisation developed in this paper paradoxically stresses 'political contingency' above all else emphasising that the outcome of crisis cannot be read off from the supposed 'requirements of capital' but rather involves a process of struggle which is not simply 'economic' in form but involves a reorganisation of a whole complex of social relations (of which the state is a part). The restructuring of capital, as Holloway and Picciotto (1977, 96) long ago pointed out, involves a struggle to restructure the relation between state and society and to restructure the state apparatus itself. This reorganisation of the state is expressed not only quantitatively (in terms of austerity and cuts) it is also reflected in the way each activity and policy of the state is remoulded and public administration refashioned. The contradictory relationship between the 'political' and the 'economic' as aspects of the social relations of capital provides the theoretical basis for an empirical analysis of restructuring highlighting depoliticisation strategies as an important element in the reorganisation of the state which as a contradictory social form can neither resolve nor abolish its crisis ridden character.

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